



New Jersey Health Care Facilities Financing Authority

2010 Annual Report



Mission

Created by an act of the New Jersey Legislature in 1972, the Authority’s mission is:

“To ensure that all health care organizations have access to financial resources to improve the health and welfare of the citizens of the State.”

The Authority fulfills its statutory purpose primarily by issuing tax-exempt bonds for health care organizations throughout the State, including hospitals, skilled nursing facilities, assisted living facilities, continuing care retirement communities, visiting nurse associations and blood banks.

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Message from the Chair

Department of Health and Senior Services
Commissioner Mary E. O'Dowd, M.P.H.



It is an honor to have been chosen by Governor Christie to lead an agency with the enormous responsibility of protecting the public health of our state's residents, ensuring quality health care for all and supporting our seniors with the services they need to live with independence and dignity. Although the Department of Health and Senior Services faces many challenges, there are also great opportunities to strengthen the state's health care system and improve quality of care for all New Jerseyans.

During my tenure at the Department, I have seen the impact that the Department can have on the lives of our residents. As Commissioner, one of my priorities will be to further the state's efforts to create healthy people and healthy communities. The Department can improve the health of the community by being a reliable source of health information and education, which can empower patients to make more informed choices. Our goal is to provide transparent, consumer-friendly information to the public. Through promoting access to health information, we can have a dramatic impact on the quality of life for residents and the care they receive.

Part of ensuring quality care to residents is educating them about palliative care and end-of-life decisions. Caring for a loved one in the final stages of life is a painful experience for the entire family, but it is especially difficult when medical decisions need to be made without knowing the wishes of that person. We have an opportunity to do more to educate, promote discussion, and advance individual decision making to help families work through these complex issues and ensure that end-of-life care is provided in the most appropriate manner. Recently, Governor Christie signed S-2199/A-3839 to establish the NJ Advisory Council on End-of-Life Care. I look forward, during my time as Commissioner, to improve communication about these issues, with the goal of ensuring that patients' wishes are honored.

My work at the agency has allowed me to understand the Department's core functions. There are many opportunities to enhance the basic internal operations of the Department and initiatives to "work smarter." In challenging fiscal times, it is important to maximize resources. By focusing on the Department's basic operations, we will enhance our efficiency and effectiveness to ensure our services are readily available for our constituents and to improve our customer service to the regulated community.

As we work to enhance the health of New Jerseyans, I look forward to working with our partners across the State to improve the health care delivered to our residents.

Message from the Executive Director

Mark E. Hopkins



Despite the uncertainties of the current economic environment and the challenges presented as we move forward in the era of health care reform, 2010 turned out to be the fourth strongest year in the 38-year history of the Authority. The generally improved performance of New Jersey hospitals, strong investor interest in tax-exempt bonds and historically low interest rates were key factors in the successful financings amounting to nearly \$907 million on behalf of nine health care facilities in 2010. What was unique about this past year was the record number of bond issuances for refundings relative to the amount the Authority issued for new construction. Of the over \$900 million in bonds the Authority issued, over \$525 million of that was issued to refund bonds. These refundings represented more than \$35 million in present value savings for New Jersey's health care facilities, money that can be put back into programs and services to support the health care needs of the patients they serve.

The Authority, nevertheless, had no shortage of new projects in 2010. Over \$375 million was issued for new projects, including construction projects such as a new state-of-the-art hospital, a new adult medical day care facility, a new surgical pavilion, and the relocation and expansion of a radiation oncology department. In addition to helping New Jersey health care organizations provide the latest medical technology and facilities to our residents, these projects created much needed well-paying construction and health care jobs to New Jersey workers.

It is no secret that New Jersey hospitals are significant economic engines in their communities. For instance, according to the New Jersey Hospital Association, New Jersey hospitals collectively employ approximately 145,000 people and expend approximately \$18 billion a year, including \$7 billion in salaries.

In 2011, New Jersey hospitals will increase their impact on the economy by purchasing new information technology products thanks to an \$11.4 million grant for Health Information Technology, created under the American Recovery and Reinvestment Act. The grant was awarded to the Authority, on behalf of the State, in 2010. Its funds will provide for the construction of an information infrastructure for individual hospitals and health care providers to share electronic medical records safely and securely through regional health information exchanges. This will allow for quick exchange of important medical information and improve knowledge and efficiency at hospitals and other health care providers long into the future.

The delivery of health care has evolved over the years and we expect changes going forward to move at a fast pace. The Authority will strive to keep ahead of the curve and adjust its existing programs and policies accordingly and offer new programs to meet the financing needs of the state's health care facilities.

The Authority by the Numbers

Number of 2010
Authority Issues:
10

Percentage of 2010
Bonds Used for
Refinancing/Escrows:
66%

Total Amount of Bonds
Issued in 2010:
\$906,972,666

Total Bonds Issued in
Authority's 38-Year
History:
\$17,210,364,013.05

2011 Members of the Authority

Ex-Officio Members

The Authority is governed by a seven-member board, three of whom are ex-officio:



Mary E. O'Dowd, M.P.H., Chairperson
Commissioner of the Department of Health and Senior Services

Commissioner O'Dowd has wide-ranging experience in the health care field with a focus on management and finances. Before being confirmed as Commissioner in June of 2011, she previously held positions of Deputy Commissioner and Chief of Staff for the Department of Health and Senior Services.

During Ms. O'Dowd's time as Deputy Commissioner, New Jersey significantly increased its financial support to hospitals through the Department's Charity Care program and also reformed the program to make it more equitable and predictable. As Chief of Staff, she managed a workforce of more than 1,800 employees and a budget of nearly \$3 billion. In this role, Ms. O'Dowd shaped the Department's policy in the areas of health care delivery, senior services, public health and emergency preparedness.



Jennifer Velez, Esq.
Commissioner of the Department of Human Services

Jennifer Velez has served as Commissioner since 2007. She previously served as Deputy Commissioner for Family and Community Services at DHS, during which time she oversaw the divisions that administer the Department's largest programs and was responsible for two-thirds of the Department's \$9.4 billion budget.

Before joining the DHS Office, Ms. Velez served as New Jersey's First Assistant Child Advocate beginning with that position's creation in September of 2003. She had previously served Governor McGreevey, Acting Governor DiFrancesco and Governor Whitman as Senior Associate Counsel and Assembly Liaison in the Office of Governor's Counsel, where she was primarily responsible for advising on DHS-focused legislation and regulation.



Thomas B. Considine
Commissioner of the Department of Banking and Insurance

Prior to Commissioner Considine's confirmation in 2010, he worked at MetLife, Inc. for nearly 17 years where he served most recently as Vice President & Government Relations Counsel, managing a staff of attorneys, public policy analysts and other professionals. He also served on a MetLife Legal Affairs Diversity Subcommittee.

Recognized as a leader in the insurance industry, Mr. Considine has held various industry-related posts including a seat on the Board of Directors of the National Organization of Life and Health

Insurance Guaranty Associations and a role as a founding appointee to the NJ Department of Banking & Insurance Financial Services Advisory Board.

2011 Members of the Authority

Public Members

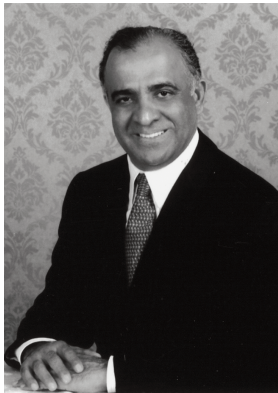
Four public members are appointed by the Governor with the consent of the Senate and serve staggered four-year terms:



Gustav E. Escher, III

Vice Chairman (term of office expired April 30, 2010) *

Gustav Escher is a Managing Director at Bergen Capital, a division of Scott & Stringfellow, an east coast regional investment bank with over 46 offices. He previously served as Vice President of New Jersey Public Finance at PNC Bank. Prior to joining PNC, Mr. Escher was affiliated with several leading investment banks and commercial banks and provided financial advisory services in both the housing and governmental sectors. He also held executive positions at several consulting firms, a State financing agency, and a local governmental unit.



Dr. Munr Kazmir

Treasurer (term of office expires April 30, 2015)

Dr. Munr Kazmir heralds a lifetime of leadership as a CEO, entrepreneur, physician and philanthropist in the health care industry. He is the founder and CEO of Quality Home Care Providers, Direct Meds Pharmacies, Inc., and Easy Carry Inc. Over the past 30 years, Dr. Kazmir has been recognized domestically and internationally for his humanitarian efforts. Dr. Kazmir has served on the Medicare Coverage Advisory Committee and The National Advisory Council for the Agency for Healthcare Research and Quality.



Suzette T. Rodriguez, Esq.

Secretary (term of office expires April 30, 2013)

Suzette T. Rodriguez, Esq. is in-house Associate Counsel for Jackson Hewitt Tax Service Inc., where she is responsible for managing defensive and affirmative litigation matters. She had previously worked in the Labor and Employment Departments of LeClairRyan in Newark, NJ and Wong Fleming in Princeton, NJ. Ms. Rodriguez is currently the President of the Hispanic Bar Association of New Jersey and the Deputy Regional President (Region III) of the Hispanic National Bar Association. She also serves as an Advisory Board Member for the New Jersey Educational Empowerment Project (NJLEEP).

* Members continue to serve until they are reappointed or replaced.



Ulysses Lee
Former Member

Ulysses Lee resigned from the Authority in September of 2011 after accepting a job that prevented him from continuing to serve. He had been an Authority Member for over four years, serving as its Secretary, Treasurer and Chair of the Finance Committee.

His contributions and expertise on health care finance, government procedure, insurance and law were of great value and will be deeply missed. The Authority thanks Mr. Lee for his service and wishes him well in his future endeavors.

(Note: Due to Mr. Lee's departure, the Authority currently has one Public Member vacancy)

Ex-Officio Designees

Ex-Officio Members may designate long-term representatives to attend meetings and vote on their behalf:



William Conroy
Deputy Commissioner
Department of Health and
Senior Services



Maryann Kralik
Manager of Policy & Planning
Department of
Banking & Insurance



Robert Bollaro
*Manager, Division of Medical
Assistance & Health Services*
Department of
Human Services

2010 Financings

Shore Memorial Hospital



In September of 2009, the Authority issued \$30,000,000 in bonds on behalf of Shore Memorial Hospital (now Shore Medical Center) to be used to finance costs associated with the construction and equipping of a surgical addition to the hospital. The hospital was able to take advantage of the tax benefit provided by ARRA's expanded definition of bank qualified bonds. The Authority issued \$30,000,000 on behalf of Shore Memorial in 2009 and \$15,000,000 in the first quarter of 2010. This resulted in lower overall interest costs.

The new surgical pavilion, opened in September of 2011, rises four stories tall and encompasses 138,000 square feet. It includes a new hospital entry, outpatient procedure facilities, a new surgical suite, areas for patients and support staff, and a rooftop garden.

Catholic Health East

Catholic Health East (CHE) operates health care facilities and residential facilities for the elderly in 11 states on the east coast. In New Jersey, their facilities include Our Lady of Lourdes Medical Center in Camden (pictured right), Lourdes Medical Center of Burlington County in Willingboro, Saint Francis Medical Center in Trenton and Saint Michael's Medical Center in Newark.

The bond issuance in March was part of a seven-state issue totaling \$418,260,000. Specific to New Jersey, the proceeds from the \$130,680,000 transaction were used to refund the Authority's 1998E bonds and the Camden County Improvement Authority's 1998B bonds, as well as to effectuate a tender offer for the Authority's 2007E bonds. The refunding, including the tender offer, resulted in a net present value savings to Catholic Health East of \$6.19 million or 4.43% of the refunded bonds.



Holy Name Medical Center



On August 19th, the Authority secured the sale of \$55,280,000 of bonds on behalf of Holy Name Medical Center. The fixed rate structure consisted of serial bonds from 2011 through 2020, with coupons from 3% to 5%, and yields ranging from 2.15% to 4.56% as well as a 2025 term bond that had a coupon of 5% and a yield of 5.02%. The all-in true interest cost came in at 4.93%.

The proceeds of the financing were used to refund approximately \$19.7 million remaining in bonds issued by the Authority on behalf of Holy Name in 1997 and approximately \$30.2 million in bonds issued by the Authority on behalf of Holy Name in 2008, to reimburse certain capital expenditures relating to the renovation of the facilities, as well as to pay certain costs of issuance and to fund a debt service reserve. Holy Name's objective in this transaction was to obtain fixed rate debt and terminate swaps associated with the variable rate debt that was being refunded.

Hackensack University Medical Center



Hackensack University Medical Center (HUMC) completed two transactions with the Authority in 2010.

The first closed in August, at which time the Authority issued \$86,295,000 of bonds on behalf of HUMC. The issue was structured with serial bonds from 2011 through 2025, and term bonds in 2030 and 2034 resulting in final yields for the serials ranging from 1.2% through 4.5%, and term bond yields of 4.625% and 5.125% respectively.

The proceeds of this transaction were used to refund the Authority's Series 2000 bonds and to refund a portion of the Authority's Series 1997 bonds as well as to fund the debt service reserve and pay related costs of issuance. This refunding generated \$8.4 million of savings, which is 9.67% of the refunded bonds. The all-in true interest cost came in at 4.84%.

The second transaction, closed in October, consisted of \$121,240,000 in bonds that refunded HUMC's Series 1998 bonds. The pricing consisted of serial bonds from 2012 through 2025 and three term bonds all maturing in 2028. Some of the bonds were issued on the credit of HUMC, while others were insured by Assured Guaranty. The yields on the uninsured serials ranged from 1.71% to 4.62% while the insured serials ranged from 3.09% to 4.25%. One of the term bonds was insured and had a coupon of 4.25% yielding 4.31%, another was uninsured and sold to retail with a coupon of 4.75% and a yield of 4.81%, and the third was uninsured and sold to institutional investors with a coupon of 5% to yield 4.81%.

This refunding generated a net present value savings of \$6.2 million, or almost 5% of the refunded bonds, and had an all-in true interest cost of 4.42%.

Saint Ann's Home for the Aged

In May the Authority issued \$11,625,000 in bonds on behalf of Saint Ann's Home for the Aged Corp. through a private placement with TD Bank. The funds were used to finance costs associated with the construction and equipping of a two-story building, a portion of which will house an Adult Medical Day Care program.

Saint Ann's, a long term care facility located in Jersey City, is operated by the Sisters of St. Joseph of Peace. They also operate an Adult Medical Day Care facility with 50 slots, providing services to developmentally disabled young adults as well as to seniors. The project will relocate the Adult Medical Day Care Program from the basement of Saint Ann's existing building to the new, two-story building on a neighboring property also owned by Saint Ann's.



Funds were also used to reimburse Saint Ann's for a portion of the cost of the land, refund the Authority's outstanding Series 1996 revenue bonds, fund capitalized interest on a portion of the bonds and pay the related costs of issuance.

Robert Wood Johnson University Hospital



On August 17, the Authority signed a purchase contract with J.P. Morgan Securities for the sale of \$126,415,000 of bonds on behalf of Robert Wood Johnson University Medical Center. The proceeds of the transaction were used to refund the hospital's Series 2000 bonds, fund the debt service reserve and to pay related costs of issuance.

The structure had serial bonds from 2011 through 2022, with serial coupons ranging from 2% to 5%; and term bonds in 2025 and 2031 which had coupons of 4.375% and 5% respectively. The serial bond yields ranged from 1.0% through 4.11%, and the 2025 and 2031 term bonds had yields of 4.47% and 4.80% respectively. This refunding generated \$15 million of present value savings which is 11.6% of the refunded bonds.

Princeton HealthCare System



The University Medical Center at Princeton plans to move from its current site to a location at Route 1 and Plainsboro Road in Plainsboro. The University Medical Center of Princeton at Plainsboro, expected to open in May of 2012, will include 231 single patient rooms, 32 obstetrical beds and 12 pediatric beds.

To support this project, the Authority issued \$355,000,000 in bonds on behalf of Princeton HealthCare System in May through four series of bonds. The Series A & B bonds were publicly issued at \$125,000,000 and \$55,000,000 respectively. The Authority also privately placed \$100,000,000 of Series C and \$75,000,000 of Series D bonds with Wells Fargo Bank and J. P. Morgan Chase respectively.

The proceeds of the bonds were used to provide funds, which, together with other funds, will be used to finance and refinance the costs of constructing and equipping the new facility, refinance outstanding loans of the System incurred to refund certain previously issued debt of the System and to pay costs of the project, fund capitalized interest on the bonds during the construction period of the project, and pay the related costs of issuance.

Avalon at Bridgewater

On October 21, the Authority issued \$5,437,666 of revenue refunding bonds on behalf of Bridgeway Assisted Living, L.L.C. Bridgeway's Avalon at Bridgewater facility, located in Bridgewater, opened in May of 2000 and consists of 37 single and nine shared assisted living units, as well as nine single and two shared dementia care units.

Proceeds of the bonds were used to refund and redeem Bridgeway's Series 1999A bonds. The bonds were privately placed with TD Bank, N.A. and secured by a pledge of gross receipts, a mortgage on the property and an assignment of all contracts, licenses and permits related to the facility.



CentraState Medical Center



Due to increasing volume, CentraState Medical Center, based in Monmouth County, found the need to relocate and expand its Radiation Oncology Department from its location in the Medical Arts Building to the Ambulatory Campus. Both are situated on the footprint of the Medical Center's Freehold campus. As part of the project financing, CentraState also planned to purchase a linear accelerator in order to accommodate the additional volume.

In September, the Authority approved CentraState's request to borrow \$10,000,000 from the Capital Asset Program ("CAP"). The proceeds of the loan were used to finance the relocation and expansion of CentraState's Radiation Oncology Department, fund the purchase of a linear accelerator, fund a portion of capitalized interest, and pay the related costs of issuance.

About the Authority

History

Created in 1972 by an Act of the Legislature to provide not-for-profit health care providers with access to low-cost capital, the Authority is the primary issuer of municipal bonds for New Jersey's health care organizations. The Authority's statutory powers were expanded in 1998 to include financing for all health care organizations or components thereof. Since its inception, the Authority has issued over \$17 billion in bonds on behalf of roughly 150 health care organizations throughout the State.

While the majority of its financings have been for acute care hospitals, the Authority can also provide capital for nursing homes, assisted living facilities, specialty hospitals, home health agencies, mobile intensive care units, outpatient centers, rehabilitation centers, homes for multi-handicapped individuals, health maintenance organizations, continuing care retirement communities, management service organizations, blood banks, hospices, day care facilities and any related organizations.

Financing Programs

The Authority currently offers five different financing programs through which it may lend funds to New Jersey's health care organizations:

Stand-Alone Bond Financings

The Authority's most frequently used financing option, bond issues can be structured with fixed or variable interest rates and with or without credit enhancement or ratings.

COMP Program

The Variable Rate Composite Program ("COMP") is designed to lower the costs of issuance for smaller borrowings. Under the program, bonds can be marketed for several borrowers at once, yet each borrower is only responsible for its own series of bonds.

Capital Asset Program ("CAP")

The Capital Asset Program ("CAP") is designed to take advantage of bonds issued prior to the 1986 changes in the tax laws. Loans under the program are continuously repaid, making fresh funds available for other health care organizations in need of capital.

Equipment Revenue Note Program

The Equipment Revenue Note Program ("ERN") is designed to offer both an easy and efficient method of financing and refinancing equipment.

FQHC Loan Program

The Federally Qualified Healthcare Center ("FQHC") Loan Program is designed to help start-up FQHCs cover the costs needed to get up and running at a lower rate than available by conventional bank borrowing. The program has limited funds provided directly by the Authority. As loans are repaid, the funds will be made available for other borrowers.

2011 Authority Staff

Office of the Executive Director

Mark E. Hopkins, Executive Director
Carole Conover, Executive Assistant/Office Manager
Robin Piotrowski, PHR, CPS, Human Resources Manager
Linda Hughes, Communications Specialist
Tracey D. Cameron, Office Management Assistant
Lorraine Donahue, Office Management Assistant

Division of Project Management

Louis R. George, Director of Project Management
William McLaughlin, Senior Project Manager
Suzanne K. Walton, Senior Project Manager
Tammy Romsdahl, Administrative Assistant

Division of Research, Investor Relations and Compliance

Stephen M. Fillebrown, Deputy Executive Director and
Director of Research, Investor Relations and Compliance
Arvella King, CPA, Assistant Director of Research,
Investor Relations and Compliance
Lori Jefferson, Health Information Technology
Project Manager
Emmerson E. Sullens, Information Technology Specialist
Taryn Jauss, Database Administrator

Division of Operations and Finance

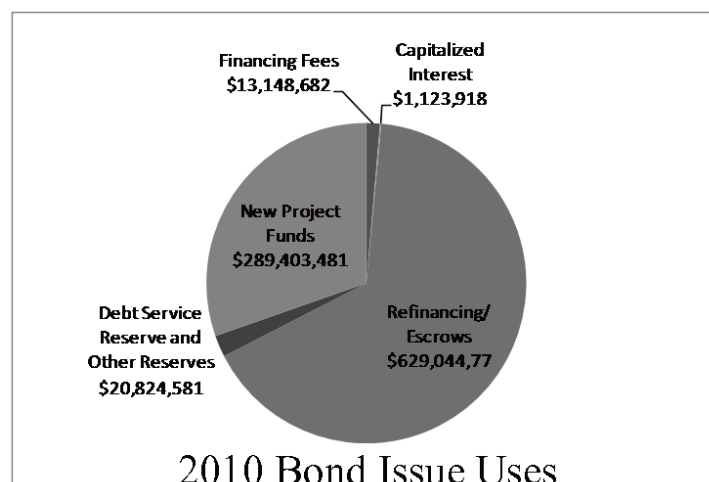
Ronald S. Marmelstein, Director of
Operations and Finance
Michael B. Ittleson, Controller
Bernard J. Miller, Jr., Construction Manager
Marjorie P. McAvoy, Account Administrator
Jessica Waite-Lucas, Account Administrator
Edwin Fuentes, Account Administrator
Diane Johnson, Senior Assistant Account Administrator
Neetu Thukral, Assistant Account Administrator
Christopher Kulick, Accountant II
Kerry Cook, Administrative Assistant

Retirements

Priscilla Copper retired as the Database Administrator and
Administrative Assistant in the Division of Research,
Investor Relations & Finance after 23 years with the
Authority.

Wanda Lewis, Senior Account Administrator, retired after
more than 25 years with the Authority.

James L. Van Wart, Director of Operations & Finance,
retired after more than 19 years with the Authority.



New Jersey Health Care Facilities Financing Authority

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